

MORGAN STANLEY INDIA INVESTMENT FUND, INC.
Form N-CSR
March 07, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-08238

Morgan Stanley India Investment Fund, Inc.
(Exact name of registrant as specified in charter)

522 Fifth Avenue, New York, New York
(Address of principal executive offices)

10036
(Zip code)

John H. Gernon

522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-296-0289

Date of fiscal year December 31,
end:

Date of reporting period: December 31, 2016

Item 1 - Report to Shareholders

Morgan Stanley India Investment Fund, Inc.

Directors

M.J. Marcel Vivian Descroizilles

Joseph J. Kearns

Ravindranath Santosh Kumar Hazareesing

Mamode Izam Nathadkhan

Fergus Reid

Officers

John H. Gernon

*President and Principal
Executive Officer*

Francis J. Smith

*Treasurer and Principal
Financial Officer*

Timothy J. Knierim

Chief Compliance Officer

Mary E. Mullin

Secretary

Adviser and Administrator

Morgan Stanley Investment Management Inc.
522 Fifth Avenue
New York, New York 10036

Sub-Adviser

Morgan Stanley Investment Management Company
23 Church Street
16-01 Capital Square, Singapore 049481

Custodian

State Street Bank and Trust Company
One Lincoln Street

Boston, Massachusetts 02111

Stockholder Servicing Agent

Computershare Trust Company, N.A.
211 Quality Circle, Suite 210
College Station, Texas 77845

Legal Counsel

Dechert LLP
1095 Avenue of the Americas
New York, New York 10036

Counsel to the Independent Directors

Perkins Coie LLP
30 Rockefeller Plaza
New York, New York 10112

Independent Registered Public Accounting Firm

Ernst & Young LLP
200 Clarendon Street
Boston, Massachusetts 02116

For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call toll free 1 (800) 231-2608 or visit our website at www.morganstanley.com/im. All investments involve risks, including the possible loss of principal.

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INVESTMENT MANAGEMENT

Morgan Stanley
Investment Management Inc.
Adviser

Morgan Stanley
India Investment
Fund, Inc.
NYSE: IIF

Annual Report

December 31, 2016

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Morgan Stanley India Investment Fund, Inc.

December 31, 2016

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Morgan Stanley India Investment Fund, Inc.

December 31, 2016

Letter to Stockholders (unaudited)

Performance

For the year ended December 31, 2016, the Morgan Stanley India Investment Fund, Inc. (the "Fund") had total returns of 5.28%, based on net asset value, and 4.85% based on market value per share (including reinvestment of distributions), compared to its benchmark, the MSCI India Index (the "Index")*, which returned -1.43%. On December 31, 2016, the closing price of the Fund's shares on the New York Stock Exchange was \$25.62, representing a 12.7% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- The year 2016 was full of surprises and heightened market volatility. Globally, unexpected outcomes on Brexit and the U.S. election surprised market participants. The consensus view on U.S. Federal Reserve rate hikes, higher bond yields and a stronger dollar are headwinds for emerging markets, but may be already priced in. Back home, India's growth recovery seemed to be well on track until Prime Minister Modi made a surprise announcement to demonetize higher-denomination currency notes, amounting to 86% of the currency in circulation.
- The fourth quarter was volatile, with the severe cash crunch on account of demonetization throwing the economy into disarray. Markets sold off hard from their highs, and the Index ended the year down -1.4%, underperforming the broader MSCI Emerging Markets Index by 12.6%.
- The Fund outperformed the Index in the reporting period. Stock selection and sector allocation both contributed to the outperformance.
- At a sector level, our underweight allocations to the telecommunication services and health care sectors were the largest contributors to performance. Detracting from performance were underweight allocations to the energy and consumer discretionary sectors.
- The stock selection in the financials, energy and consumer staples sectors contributed to performance, while stock selection in the information technology and materials sectors detracted from performance over the period.

Management Strategies

- The Indian macro card has shown significant improvement since the "taper tantrum" episode of 2013. This time around, the domestic economy seems to be better equipped to absorb global shocks, if any, with robust foreign direct investment flows, healthy foreign exchange reserves, and narrower current account and fiscal deficits. Monetary policy is likely to remain supportive as the banking system is flush with funds post-demonetization and inflation remains low.
- The year was a mixed bag from a reforms standpoint. Passage of the Bankruptcy bill, progress on the Goods and Services Tax (GST), relaxed foreign investment norms for 15 sectors and the passage of a Real Estate bill were a few initiatives taken to boost

Morgan Stanley India Investment Fund, Inc.

December 31, 2016

Letter to Stockholders (unaudited) (cont'd)

growth potential. However, no clear roadmap for the re-capitalization of public sector banks or the disinvestment of public sector enterprises disappointed the markets.

- Demonetization of 500-rupee and 1000-rupee notes was followed by a cash crunch in the economy in the fourth quarter, the effects of which are slowly abating as the new currency notes increase in circulation. We expect growth to be hit, especially in the consumer discretionary sector, as company sales are directly correlated with money supply and consumer sentiment. However, the fallout of demonetization is pretty much uncharted territory, and it is difficult to estimate its precise impact at this juncture. All eyes are glued to the upcoming Union Budget, with the market expecting the government to provide a fiscal stimulus to counter the adverse impact of demonetization and bring the economy back to a growth path. There are hopes of fiscal policy action in the form of tax cuts or even the deployment of direct credits to reflate the economy.
- The implementation of the GST in 2017 will come with its own set of challenges in the near term, but could eventually help set the economy on a higher growth path in the longer run as the whole country becomes a unified single market.
- With the recovery cycle being further delayed by demonetization, we expect capital expenditure to continue to be driven by the public sector as the private sector balance sheets are still under stress.
- We believe the growth recovery from here will likely be gradual, and may not be uniform across all sectors. We continue to seek pockets of growth, closely tracking high-frequency indicators on our macro dashboard, and prefer to invest based on evidence rather than hope. We prefer to filter out the macro noise and will try to avoid knee-jerk adjustments to the portfolio unless borne out by data.
- As of the close of the period, the Fund was overweight industrials and financials and underweight consumer staples and energy.

Sincerely,

John H. Gernon
President and Principal Executive Officer January 2017

*The MSCI India Index is a free-float adjusted market capitalization weighted index that is designed to measure the performance of the large and mid cap segments of the Indian market. The performance of the Index is calculated in U.S. dollars and assumes reinvestment of net dividends. It is not possible to invest directly in an index.

Morgan Stanley India Investment Fund, Inc.**December 31, 2016**

Portfolio of Investments

	Shares	Value (000)
Common Stocks (93.7%)		
Auto Components (5.1%)		
Bosch Ltd.	20,520	\$ 6,365
Motherson Sumi Systems Ltd.	3,203,391	15,408
		21,773
Automobiles (1.9%)		
Maruti Suzuki India Ltd.	103,793	8,135
Banks (12.9%)		
DCB Bank Ltd. (a)	3,507,856	5,579
HDFC Bank Ltd.	739,332	14,409
IndusInd Bank Ltd.	1,648,856	26,916
Yes Bank Ltd.	450,000	7,668
		54,572
Capital Markets (1.9%)		
Motilal Oswal Financial Services Ltd.	1,041,017	7,986
Construction & Engineering (5.4%)		
Ashoka Buildcon Ltd.	1,980,272	4,613
Larsen & Toubro Ltd.	907,892	18,047
		22,660
Construction Materials (7.4%)		
Prism Cement Ltd. (a)	3,462,649	3,949
Ramco Cements Ltd. (The)	1,100,579	8,886
Shree Cement Ltd.	86,140	18,700
		31,535
Consumer Finance (8.0%)		
Bharat Financial Inclusion Ltd. (a)	1,217,963	10,550
Cholamandalam Investment and Finance Co., Ltd.	489,064	6,821
Shriram Transport Finance Co., Ltd.	1,315,149	16,538
		33,909
Diversified Financial Services (1.4%)		
L&T Finance Holdings Ltd.	4,738,935	6,117
Electronic Equipment, Instruments & Components (1.7%)		
Redington India Ltd.	5,174,972	7,232
		Value (000)
Gas Utilities (5.2%)		
Gujarat State Petronet Ltd.	3,726,154	\$ 7,672
Indraprastha Gas Ltd.	1,066,228	14,426
		22,098
Information Technology Services (9.0%)		

Cognizant Technology Solutions Corp., Class A (a)	218,286	12,230
Infosys Ltd.	1,746,083	26,000
		38,230
Machinery (11.1%)		
Ashok Leyland Ltd.	18,753,019	22,132
Eicher Motors Ltd.	77,507	24,899
		47,031
Media (3.7%)		
Zee Entertainment Enterprises Ltd.	2,348,671	15,678
Oil, Gas & Consumable Fuels (5.1%)		
Bharat Petroleum Corp., Ltd.	2,282,945	21,376
Personal Products (1.5%)		
Marico Ltd.	1,621,466	6,222
Pharmaceuticals (7.3%)		
Cipla Ltd.	740,470	6,206
Glenmark Pharmaceuticals Ltd.	350,705	4,591
Lupin Ltd.	521,230	11,419
Natco Pharma Ltd.	1,000,190	8,542
		30,758
Tobacco (2.2%)		
ITC Ltd.	2,588,853	9,218
Transportation Infrastructure (2.5%)		
Gateway Distriparks Ltd.	2,882,532	10,403
Water Utilities (0.4%)		
VA Tech Wabag Ltd.	242,162	1,673
TOTAL COMMON STOCKS (Cost		
\$272,843)		396,606

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.**December 31, 2016**

Portfolio of Investments (cont'd)

	Shares	Value (000)
Short-Term Investment (1.1%)		
Investment Company (1.1%)		
Morgan Stanley Institutional Liquidity Funds Government Portfolio Institutional Class (See Note E) (Cost \$4,816)	4,816,364	\$ 4,816
TOTAL INVESTMENTS (94.8%)		401,422
(Cost \$277,659) (b)		
OTHER ASSETS IN EXCESS OF LIABILITIES (5.2%)		21,909
NET ASSETS (100.0%)		\$423,331

(a) Non-income producing security.

(b) At December 31, 2016, the aggregate cost for federal income tax purposes is approximately \$281,070,000. The aggregate gross unrealized appreciation is approximately \$135,520,000 and the aggregate gross unrealized depreciation is approximately \$15,168,000, resulting in net unrealized appreciation of approximately \$120,352,000.

Portfolio Composition

Classification	Percentage of Total Investments
Other*	19.3%
Banks	13.6
Machinery	11.7
Information Technology Services	9.5
Consumer Finance	8.5
Construction Materials	7.9
Pharmaceuticals	7.7
Construction & Engineering	5.6
Gas Utilities	5.5
Auto Components	5.4
Oil, Gas & Consumable Fuels	5.3
Total Investments	100.0%

* Industries and/or investment types representing less than 5% of total investments.

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.**December 31, 2016**

Financial Statements

	December 31, 2016
	(000)
Statement of Assets and Liabilities	
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value (Cost \$272,843)	\$ 396,606
Investment in Security of Affiliated Issuer, at Value (Cost \$4,816)	4,816
Total Investments in Securities, at Value (Cost \$277,659)	401,422
Foreign Currency, at Value (Cost \$31,273)	31,376
Cash	19
Receivable for Investments Sold	1,140
Tax Reclaim Receivable	121
Receivable from Affiliate	1
Other Assets	40
Total Assets	434,119
Liabilities:	
Dividends Declared	10,006